

Wisconsin State Legislature

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Joint Committee on Finance *100th ANNIVERSARY 1911 - 2011*

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative Robin Vos

Date: May 13, 2011

Re: DOC Report to JFC

Attached is a report on Prison Industries from the Department of Corrections, pursuant to s. 303.019, Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

AD:RV:jm

Scott Walker
Governor

Gary H. Hamblin
Secretary



State of Wisconsin Department of Corrections

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April 15, 2011

RECEIVED
MAY 13 2011
BY: *St. Finance*

Senator Alberta Darling
Co-Chair, Joint Committee on Finance
Room 317 East
State Capitol
P.O. Box 7882
Madison, WI 53707-7882

Representative Robin Vos
Co-Chair, Joint Committee on Finance
Room 309 East
State Capitol
P.O. Box 8953
Madison, WI 53708

Dear Senator Darling and Representative Vos:

Attached is the report on Prison Industries for the quarter ending December 31, 2010 as required by § 303.019 of the Wisconsin Statutes. This report includes the year-to-date cash balances of Badger State Industries at the end of the second quarter.

Traditional Prison Industries

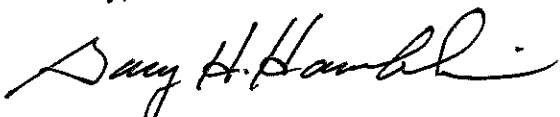
Due to the economic situation, Traditional Industries suffered a cash forward balance of (\$3,235,500) from FY 2010. The second quarter reporting period for FY 2011 from July 1, 2010 through December 31, 2010 shows gross revenues of \$6,808,200 with cash expenditures of \$9,246,000. The second quarter ends with expenditures exceeding revenues by (\$2,437,800). This is due to the need to purchase materials necessary for the construction of systems furniture, which has been ordered by the Department of Military Affairs and University of Wisconsin Systems and will be delivered later in the year.

Under the cash-basis of accounting, the projected cash balance for Traditional Industries in FY 2011 indicates a loss of (\$247,200). On an accrual accounting basis, a \$(572,400) loss is projected for FY 2011. When the current year cash-basis projected loss of (\$247,200) is added to cash forward balance of (\$3,235,500), the total projected cash balance indicates a shortfall of (\$3,482,700).

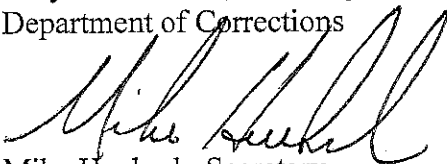
As shown by these reports; the projected negative cash balance for Traditional Industries at the end of FY 2011 is primarily caused by two influencing factors: the negative cash forward balance from FY 2010, and a decrease in overall sales due to economic fluctuations in the marketplace with our customer base. The Department recognizes the projected shortfall and is working diligently towards increasing sales and/or reducing expenditures.

Continued efforts to work with our customers on known projects which may generate revenue prior to fiscal year's end is a major initiative for traditional industries. There are some verbal commitments to orders that would boost us financially, but we do not know exactly what that could mean in added revenue at this time. As we proceed into the fiscal year, and the selected A&E firms finalize drawings, moveable equipment requirements will be better known to us for projections into the 4th quarter.

Sincerely,



Gary H. Hamblin, Secretary
Department of Corrections



Mike Huebsch, Secretary
Department of Administration

Attachments

cc: Chuck Cole, OOS
Melissa Roberts, OOS
Tim Peterson, BCE
Bernie Spiegel, BCE
Cathy Jess, DAI
Tim Lefave, DAI
Brigitte Smith, DAI
Ben Cruz, BCE
Ben Grattan, BCE
Chris Carmichael, LFB

Dennis Schuh, OOS
Stacey Rolston, DMS
Roland Couey, DMS
Dan Steeger, DMS
Dustin Trickle, DMS
Martina Allen, DMS
Jana Steinmetz, DOA
Katie Kisiolek, DOA
Jere Bauer, LFB

BADGER STATE INDUSTRIES
YEAR TO DATE CASH BALANCE SUMMARY BY INDUSTRY
AS OF DECEMBER 31, 2010

TRADITIONAL INDUSTRIES				
INDUSTRY	CASH BALANCE 7/1/2010	FY-11 YTD REVENUE	FY-11 YTD EXPENDITURE	CASH BALANCE 12/31/2010
NON PROJECT OPERATIONS				
MANAGEMENT & SUPPORT ¹	0	60,600	1,861,200	(1,800,600)
DISTRIBUTION CENTER	0	10,600	631,500	(620,900)
TRANSITION PROGRAM	0	0	55,600	(55,600)
SUB-TOTAL	0	71,200	2,548,300	(2,477,100)
PROJECT OPERATIONS				
FURNITURE ²				
WOOD & LAMINATING	(13,674,900)	898,600	1,120,400	(13,896,800)
METAL FURNITURE	(49,876,900)	627,900	1,381,400	(50,630,400)
SYSTEM FURNITURE	56,209,500	477,400	171,900	56,515,000
UPHOLSTERY	(1,100,900)	1,207,100	850,100	(743,900)
FURNITURE SUB-TOTAL	(8,443,200)	3,211,000	3,523,800	(8,756,100)
LAUNDRIES				
OSCI LAUNDRY	265,100	696,100	353,600	607,600
CVCTF LAUNDRY	(1,358,400)	163,500	256,600	(1,451,500)
LAUNDRIES SUB-TOTAL	(1,093,300)	859,600	610,200	(843,900)
METAL STAMPING	17,888,700	1,314,800	995,400	18,208,100
PRINTING	(3,194,100)	359,500	424,500	(3,259,000)
SIGNS				
SCI SIGN SHOP	1,962,000	410,800	355,100	2,017,600
JCI SIGN SHOP	(492,400)	199,600	216,100	(508,900)
NLCI HYDROSTRIPPING SHOP	(946,500)	41,900	122,100	(1,026,700)
SIGNS SUB-TOTAL	523,100	652,300	693,300	482,000
TEXTILES				
GBCI TEXTILES	(4,440,100)	284,000	365,800	(4,521,900)
SILKSCREENING SERVICES	(4,476,700)	52,500	76,600	(4,500,900)
TEXTILES SUB-TOTAL	(8,916,800)	336,500	442,400	(9,022,800)
WHEEL CHAIR REFURBISHING	0	3,400	7,800	(4,500)
SUB-TOTAL	(3,235,500)	6,737,100	6,697,400	(3,196,200)
TOTAL	(3,235,500)	6,808,200	9,246,000	(5,673,300)

Footnotes:

1: Management & Support costs represent overhead and non-project operations. Transition program costs are substantially allocated to the appropriate industries in the current fiscal year. Any remaining costs will be allocated in next fiscal year operations.

2: System Furniture sales are derived from products manufactured by the other Industries: Wood & Laminating, Metal Furniture, and Upholstery. Costs for those products are retained by the originating shop.

3: Totals may not sum due to rounding.

Traditional Prison Industries

June 30, 2011 Projected Cash Profit and Loss Statement As of December 31, 2010

Projected Revenue		16,579,000
Projected Cost of Goods Sold	13,698,000	
Projected Selling Expense	1,508,000	
Projected Administrative Expense	<u>1,620,200</u>	
		<u>\$ 16,826,200</u>
Plus beginning Cash Balance		(3,235,500)
Projected Cash Profit (Deficit) - June 30, 2011		(247,200)
Projected Cash Balance June 30, 2011		<u>\$ (3,482,700)</u>

June 30, 2011 Projected Accrual Profit and Loss Statement As of December 31, 2010

Projected Sales		16,579,000
Projected Cost of Goods Sold	13,996,500	
Projected Selling Expense	1,508,000	
Projected Administrative Expense	<u>1,646,900</u>	
		<u>\$ 17,151,400</u>
Projected Accrual Basis Operating Profit (Deficit) - June 30, 2011		<u>(572,400)</u>
